



## MasterPACT

For 2003 Enrollment Period  
August 1 - September 30, 2003

### SECTION I - INTRODUCTION

This MasterPACT, as amended from time to time, describes the basic terms and conditions of the Prepaid Affordable College Tuition Program (the APACT Program), established by the state legislature and maintained by instrumentalities of the state, and the obligations and responsibilities of the State Treasurer on behalf of the Board of Trustees (the ABoard) of the Prepaid Affordable College Tuition Trust Fund (the ATrust Fund), as defined by Title 16, Sections 33C-1 through 33C-9, Code of Alabama, 1975, (as last amended).

### SECTION II - DEFINITIONS

The definitions of terms included in the provisions of Title 16, Section 33C-3, Code of Alabama, 1975, (as last amended), and in the applicable provisions of the Rules, as amended from time to time, shall apply to the Contract and are incorporated herein by reference.

2.01 "PACT Program" means the Prepaid Affordable College Tuition Program established by the state legislature of Alabama and maintained by its instrumentalities pursuant to sections 16-33C-1, et al., Code of Alabama.

2.02 "PACT Contract" consists of the following documents: the Application completed by the Contract Purchaser, this MasterPACT, and the Participation and Payment Schedule. All of these documents taken together constitute the formal PACT Contract between the PACT Contract Purchaser and the State Treasurer of the State of Alabama, as chair man of, and on behalf of, the Board. Additional documents relating to the Contract, issued or received by the State Treasurer on behalf of the Board, pursuant to the various terms and conditions described will be incorporated into the Contract. This Contract is subject to the PACT Program Rules.

2.03 "PACT Program Rules" means the Program Description, Rules, Regulations, and Procedures as adopted by the Board and amended from time to time which provide for the implementation of the PACT Program through the terms and conditions of the PACT Contract.

2.04 "Qualified Beneficiary" means an individual who is under the age of 18, has not completed the 9th grade, and who is born at the time that the Purchaser enters into a PACT Contract.

2.05 "Purchaser" means any adult person, corporation, trust, or other Entity eligible to purchase a Contract and who is obligated to make Contract payments and Administrative Fee payments in accordance with the Contract. The Purchaser will receive any refunds that may be due pursuant to a Contract. Only one individual, corporation, trust, or other Entity may be named as the Contract Purchaser.

2.06 "Application" means a request for acceptance into the PACT Program, made on a form or duplicate form, approved by the State Treasurer.

2.07 "PACT Enrollment Period" means any period designated by the State Treasurer during which Applications for enrollment in the PACT Program will be accepted by the State Treasurer. For 2003, the Enrollment Period will be held from August 1 through September 30, 2003.

2.08 "Participation and Payment Schedule" means the document prepared by the State Treasurer defining the frequency, duration, amount, and due date of Contract payments based on information provided in the Application.

2.09 "Projected College Entrance Date" means the academic school year following the beneficiary's projected high school graduation and is the earliest date for utilization of the Contract benefits without the State Treasurer's written approval.

2.10 "Official Change Period" means any period so designated by the State Treasurer during which the Purchaser may submit a written request for approval of changes in the Contract.

2.11 "Scholarship" means grants, gifts, or other financial aid awarded to a Qualified Beneficiary in an amount sufficient to pay a portion or all of the same benefits as are offered under a Contract. A loan is not considered a Scholarship.

2.12 "Disability of the Qualified Beneficiary" means a disability which, based on the findings of a health care professional, and on approval of these findings by the State Treasurer, renders the Qualified Beneficiary incapable of participating in higher education.

2.13 "Current Tuition Value" means the weighted average of Instate Tuition and Mandatory Fees at the four-year Public Postsecondary Institutions.

2.14 "Cancellation" means discontinuation, at the Purchaser's request or for nonpayment, of the Purchaser's participation in the PACT Program and of the Qualified Beneficiary's right to receive Contract benefits.

2.15 "Termination" means involuntary discontinuation of the Purchaser's participation in the PACT Program and of the Qualified Beneficiary's right to receive Contract benefits.

2.16 "Mandatory Fees" means those fees required as A CONDITION OF ENROLLMENT FOR ALL students attending the Postsecondary Institution in which the Qualified Beneficiary is enrolled. Fees which are considered to be Mandatory Fees are defined by the college or university in which the Beneficiary is enrolled. Mandatory fees do not include college application, entrance fees, orientation fees, room and board, transportation, or course specific fees.

2.17 "Instate Tuition" means the tuition rate charged to a student who meets the instate residency requirements of the particular Alabama Public Postsecondary Institution attended by the Qualified Beneficiary.

2.18 "Actuarial Assessment" means an additional Contract amount assessed by the State Treasurer to preserve the actuarial soundness of the Trust Fund. For an unpaid or partially paid lump sum account, this amount will be 1% of the outstanding balance per month. For monthly accounts, the actuarial assessment is the difference between the future value of the prescribed monthly payments and the future value of the payments actually made by the Purchaser.

2.19 "Advance Payment" means any PACT contract payment in excess of the monthly payment established for an account where all monthly payments are current and all administrative fees are paid in full.

2.20 "Contract Payments Received" means the total of payments received by PACT toward the purchase of a Contract.

2.21 "Canceled Contract Principal" means the Contract Payments Received, less any Administrative Fees paid, as of the date of Cancellation or Termination of the Contract.

2.22 "Passbook Average" means the average of the passbook saving interest rates paid by the five largest banking institutions in the state of Alabama as of September 30<sup>th</sup> of each year.

2.23 "Canceled Contract Rate of Interest" means the lesser of (1) the immediately preceding Passbook Average, or (2) 5%. Interest will only be paid on refunds issued after September 30, 2000.

2.24 "Canceled Contract Interest" means the amount yielded by applying the Canceled Contract Rate of Interest to Canceled Contract Principal. The period shall include completed months from the date each payment is made until cancellation.

2.25 "Benefits Paid" means the total amount of payments due under a Contract and actually paid by PACT at Contract maturity to a Postsecondary Institution in response to its invoice for tuition and/or mandatory fees. "Benefits Paid" does not include any amount paid to the Purchaser as part of a refund.

2.26 "Redemption Value" means the Canceled Contract Principal plus Canceled Contract Interest, less any Administrative Fees owed and unpaid, less a \$75 Cancellation Fee, less Benefits Paid as of the date of Cancellation or Termination of the Contract.

### SECTION III - CONTRACT BENEFITS

3.01 General. The PACT Program provides payment of undergraduate Instate Tuition and Mandatory Fees on behalf of the Qualified Beneficiary to the Alabama Public Postsecondary Institution in which the Qualified Beneficiary matriculates as follows:

(A) Payment of Instate Tuition of not more than one hundred thirty-five (135) semester hours or the academic equivalent units on a quarter system or other academic term basis OR payment of Instate Tuition until award of a baccalaureate degree to the Qualified Beneficiary, whichever comes first; and

(B) Payment of Mandatory Fees for not more than eight registrations on a semester system, twelve registrations on a quarter system, OR the completion of 135 semester hours or the academic equivalent units on a quarter system or other academic term basis, OR until award of a baccalaureate degree to the Qualified Beneficiary, whichever comes first.

3.02 Program Restriction. Only one PACT contract can be purchased for a Qualified Beneficiary.

### CONTRACT BENEFITS ARE BASED ON INSTATE TUITION AND MANDATORY FEE RATES OF ALABAMA PUBLIC POSTSECONDARY INSTITUTIONS

### SECTION IV - PAYMENTS

4.01 General. Payments are due in the amounts and on the dates specified in the Participation and Payment Schedule. For the 2003 Enrollment Period, all lump sum payments are due on December 1, 2003. An Actuarial Assessment of 1% of the outstanding balance will be added for each month that the lump sum payment is past due. Late payment fees may also be assessed. For the five-year payment schedule, the first monthly payment is due on December 1, 2003, with the remaining payments due on the first day of each month thereafter for a total of 60 months. For the extended monthly payment plan, the first payment is due on December 1, 2003, with the remaining payments due on the first day of each month through June 1st of the Qualified Beneficiary's Projected College Entrance Date. All payments due under the PACT Contract must be "cash contributions" made by personal check, money order, cashier's check or other certified funds. Non-cash contributions cannot be accepted.

4.02 Purchaser's Responsibility. The Purchaser is responsible for making all payments on time, even if the Purchaser has not received a Participation and Payment Schedule from the State Treasurer, or even if the Purchaser's selected payment method has not been implemented. The Purchaser is responsible for verifying the effective date of the selected payment method. The PACT Contract will be canceled if no Contract payments have been received within 45 days of the first payment due date.

4.03 Returned Items. A fee of \$15.00 will be assessed for all returned payments.

4.04 Late Payments. A late fee of \$15.00 will be added to each payment not received by the State Treasurer within fifteen (15) days of the due date.

4.05 Default. Failure to make any payment within thirty (30) days of the date due will constitute default of the Contract. All rights of the Qualified Beneficiary under the Contract may be terminated upon default. If, within six (6) months of default, the Purchaser pays all delinquent amounts including Actuarial Assessments and administrative fees, the beneficiary's rights under the contract will be reinstated. If, within 211 days of default, no payment is received, the Contract will be canceled.

4.06 Reinstatement. A request for reinstatement of a canceled account must be submitted in writing from the purchaser, with appropriate justification, as determined by the State Treasurer. The beneficiary's right to receive contract benefits will not be reinstated until all delinquent amounts, including Actuarial Assessments and administrative fees, have been received.

4.07 Changes in Payment Method. Request for a change in payment method must be submitted in writing and approved by the State Treasurer.

4.08 Changes in Payment Schedule. Changes in payment schedule shall include a \$20.00 Administrative Fee and may be requested in writing during the 2003 Enrollment Period through the 10th day of the month in which the first payment is due. A change at any other time must be submitted in writing and approved by the State Treasurer.

4.09 Account Maintenance Fee. Each Contract payment includes a \$3.00 nonrefundable account maintenance fee for monthly accounts, and a \$75.00 nonrefundable account maintenance fee for lump sum payments.

## SECTION V - CANCELLATION, TERMINATION, AND REFUND

5.01 **General.** Participation in the PACT Program is strictly voluntary. The PACT Contract can be canceled at any time upon receipt of a written request from the Contract Purchaser. Except for circumstances described in Sections 5.02 and 5.03, Cancellation or Termination shall entitle the Purchaser to a refund of the Redemption Value of the Contract. Refunds may be paid in installments. The PACT Contract is not a debt instrument.

5.02 **Death or Disability of the Beneficiary or Beneficiary is a Dependent of a Blind Parent, a Deceased or Disabled Veteran, or a Prisoner of War.** If any of these circumstances occur prior to matriculation of the Qualified Beneficiary in a Postsecondary Institution, and in accordance with applicable sections of the Alabama Code, the Contract benefits may be transferred to an eligible Substitute Beneficiary, or the Purchaser may submit a written request for a refund of the Redemption Value of the Contract. The Cancellation Fee or Substitute Beneficiary fee will be waived.

5.03 **Scholarship.** If the Qualified Beneficiary receives a Scholarship, the Purchaser may request a refund of any overpayment of tuition and Mandatory Fees from the Qualified Beneficiary's college or university, the contract can be transferred to a qualified substitute beneficiary or the contract can be canceled. The Cancellation Fee or Substitute Beneficiary Fee will be waived. The State Treasurer is not responsible for any refunds that may be payable by a Postsecondary Institution.

5.04 **Cancellation.** If the Contract is canceled because of reasons other than as stated in Sections 5.02 and 5.03, and provided the Purchaser gives the State Treasurer at least thirty (30) days written notice of request for a refund, the Purchaser will receive a refund of the Redemption Value of the Contract.

5.05 **Termination.** If the Contract is Terminated, the Purchaser will receive a refund of the Redemption Value of the Contract.

## SECTION VI - SUBSTITUTION, ASSIGNMENT, OR TRANSFER

6.01 **Substitution of the Qualified Beneficiary.** Transfer of the Contract benefits to an eligible Substitute Beneficiary shall verify and include:

(A) A written request for substitution of the Qualified Beneficiary addressed to the State Treasurer;

(B) A written statement and acceptable documentation verifying that the person who is to be substituted has been born and is a family member of the original Qualified Beneficiary. This includes the original beneficiary's spouse; the original beneficiary's son or daughter, or that person's spouse; a descendant of the beneficiary's son or daughter, or that person's spouse; a sibling or step-sibling of the beneficiary, or that person's spouse; a parent of the beneficiary, ancestor of a parent, or that person's spouse; a step-parent of the beneficiary, or that person's spouse; a son or daughter of the beneficiary's sister or brother, or that person's spouse; a brother or sister of the father or mother of the beneficiary or that person's spouse; a son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law of the beneficiary, or that person's spouse; or first cousin.

(C) The Substitute Beneficiary has a Projected College Entrance Date that is the same or later than the Projected College Entrance Date of the original Qualified Beneficiary;

(D) The request for substitution includes an administrative beneficiary substitution fee of \$55.00; and

(E) Any Actuarial Assessment calculated by the State Treasurer.

If special permission is granted by the State Treasurer to transfer the Contract benefits to a Substitute Beneficiary whose Projected College Entrance Date is earlier than that of the original Qualified Beneficiary, the Purchaser must pay any Actuarial Assessment calculated by the State Treasurer before the substitution will be made.

Monies paid to the PACT Program or to the Trust Fund prior to a Beneficiary substitution will not be refunded.

6.02 **Beneficiary Substitution After Contract Benefits Have Been Utilized by the Original Beneficiary.** Once a portion of contract benefits have been used, beneficiary substitution may be allowed only if there are 15 semester hours of tuition remaining, the proposed substitute beneficiary meets the requirements for substitution as set out in Section 6.01, and the substitute beneficiary does not already have a PACT contract. A request for beneficiary substitution must be made prior to graduation of the original beneficiary. The substitute beneficiary shall assume the same projected enrollment year as the original beneficiary. The ten-year period available to utilize the remaining contract benefits shall be ten years from the original projected enrollment year.

6.03 **Change in Purchaser.** A request to transfer the Contract from one Purchaser to another shall be submitted, in writing, signed by both the original and new Purchaser, and shall include a \$20.00 Administrative Fee.

6.04 **Assignment or Transfer.** Except as specifically provided herein, this Contract may not be assigned or transferred, nor may any interest, rights, or benefits in this Contract be assigned or transferred. Under no circumstances may any interest in any PACT Contract be subject to the pledge or use otherwise as security for a loan, and any agreement to so encumber any PACT Contract shall result in the automatic Termination of that Contract.

## SECTION VII - TIME FOR EXERCISING CONTRACT BENEFITS

7.01 **Advanced or Delayed Exercise.** Contract benefits may be used for up to ten (10) years after the Projected College Entrance Date of the Qualified Beneficiary, or the actual college entrance date of a Qualified Beneficiary who is an accelerated student, subject to the Rules. The Contract benefits may be used up to three (3) years in advance of the Beneficiary's Projected College Entrance Date if the Beneficiary is an accelerated student. The Contract, all Administrative Fees, and all Actuarial Assessments must be paid in full before the Contract benefits may be used.

## SECTION VIII - ADMINISTRATIVE FEES

8.01 **Administrative Fees.** Administrative Fees shall be assessed when an Application is submitted for a Contract, when alterations are made in the ordinary services provided by the PACT Program, or when the Purchaser makes

changes in Contract information. The amount charged for each of these fees, and the types of fees, are subject to change during the life of any Contract.

8.02 **Fees Assessed.** Administrative Fees include, but are not limited to, the following:

- (A) Application Processing Fee;
- (B) Cancellation Fee;
- (C) Substitute Beneficiary Fee;
- (D) Fee for Document Replacement or Copies;
- (E) Fee for Changes in Payment Schedule;
- (F) Account Maintenance Fee;
- (G) Fee for Transfer of Contract Benefits to Another Purchaser;
- (H) Fee for transfer of contract benefits to private/out-of-state institution;
- (I) All other Administrative Fees established in the PACT Program Rules.

## SECTION IX - MATRICULATION AT AN INDEPENDENT/PRIVATE INSTATE OR OUT-OF-STATE POSTSECONDARY INSTITUTION

9.01 **General.** If the Qualified Beneficiary matriculates in an Independent/Private Instate Postsecondary Institution, or an Out-of-State Postsecondary Institution, the Current Tuition Value shall be forwarded each academic term to the Postsecondary Institution on an academically equivalent hourly basis subject to the provisions of the Contract. However, it is the responsibility of the Purchaser to arrange for the Institution to bill the PACT Program for tuition and mandatory fees. The Current Tuition Value is updated on January 1 of each year. The Current Tuition Value forwarded each academic term shall not exceed the cost of undergraduate tuition plus Mandatory Fees of the Postsecondary Institution attended.

9.02 **Cancellation/Substitution.** The PACT Contract can also be canceled or transferred to an eligible substitute beneficiary. The Purchaser is entitled to a refund of the Redemption Value of the Contract. The Cancellation fee or Substitute Beneficiary fee will be waived.

9.03 **Requirements.** A written request must be submitted to the State Treasurer sixty (60) days prior to the Qualified Beneficiary's matriculation.

9.04 **Processing Fee.** A \$25 processing fee will be assessed each academic term that the Contract benefits are forwarded. This fee is deducted from the amount paid to the postsecondary institution.

## SECTION X - MISCELLANEOUS PROVISIONS

10.01 **Notices and Changes.** All notices, changes, and choices made under the Contract must be in writing, signed by the Purchaser and received by the State Treasurer at the address listed on the Contract, along with any supporting documentation the State Treasurer may reasonably require and any applicable Administrative Fees and/or Actuarial Assessments.

10.02 **Additional Fees Charged by Postsecondary Institutions.** Postsecondary Institutions may charge fees in addition to the Mandatory Fees described herein. The Qualified Beneficiary will bear the cost of any such additional fees which may include, but are not limited to, health fees, athletic fees, laboratory fees, student activity fees, transportation fees, and orientation fees.

10.03 **Identification Card.** To receive Contract benefits, the Qualified Beneficiary may be required to submit a valid Identification Card, issued by the State Treasurer, to the Qualified Beneficiary's Postsecondary Institution. No contract benefits will be paid unless the Contract is paid in full, including all Administrative Fees and Actuarial Assessments, and the Qualified Beneficiary has submitted a valid social security number to the State Treasurer.

10.04 **Document Replacement or Copies.** A Purchaser may obtain replacements of PACT Program documents or copies of documents from the State Treasurer. A minimum fee of \$7.00 per document shall be assessed.

10.05 **Annual Statements.** The Purchaser shall receive an annual statement from the State Treasurer indicating amounts paid into the Trust Fund.

10.06 **Disclaimers.** Nothing in the Contract shall be construed as a promise or guarantee by the State Treasurer, the Board, employees or consultants of the State Treasurer and/or the Board, or the State of Alabama that a Qualified Beneficiary (a) will be admitted to a Postsecondary Institution; (b) will be admitted to a particular Postsecondary Institution; (c) will be allowed to continue to attend a Postsecondary Institution after having been admitted; (d) will be graduated from a Postsecondary Institution; or (e) if admitted to a Public Postsecondary Institution, will meet that institution's residency requirements for Instate Tuition and/or Mandatory Fees.

10.07 **Promulgation and Amendment of Rules, Regulations, and Procedures.** The State Treasurer, on behalf of the Board, shall promulgate such other Rules, Regulations, and Procedures as are deemed necessary to implement the PACT Program and shall amend such Rules, Regulations, and Procedures as is necessary for operation of the PACT Program.

10.08 **Waiver of Rules, Regulations, and Procedures.** The State Treasurer may waive portions of these Rules, Regulations, and Procedures to prevent hardship of the Purchaser or of the Qualified Beneficiary.

10.09 **Interpretation.** This agreement is to be interpreted under the laws of the State of Alabama.

10.10 **Severability.** In the event that any clause or portion of the Contract is found to be invalid or unenforceable by a court of competent jurisdiction, that clause or portion shall be severed from the Contract and the remainder of the Contract will remain in full force and effect.

10.11 **Total Investment Authority Rests with Board.** Decisions regarding the investment of trust fund assets are within the sole discretion of the Board.

10.12 **Rollovers.** PACT will accept rollovers from a qualified program provided a PACT account has already been established and the appropriate form is completed.

The Honorable Kay Ivey, Chairman, Prepaid Affordable College Tuition Program